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Testimony

Technical Assistance and Capacity Building Programs
To Promote Housing and Economic Development

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Thank you Madam Chair for holding this hearing on technical assistance and capacity building programs and H.R. 3974, the Community Economic Development Expertise Enhancement Act of 2002. I introduced this legislation on March 14, 2002 with my esteemed colleague, Congressman J.C. Watts, Jr., and the bill has attracted strong bi-partisan support.

I am an advocate for community development corporations because these organizations play an important role in poverty elimination. Their approach is focused on economic development through affordable housing, business development, job creation, and a range of activities that involve community residents in anti-poverty and wealth-building activities. This approach is more critical than providing social services because it focuses on empowerment: building infrastructure within communities.

Community development corporations grew out of the civil rights movement of the 1960's. These organizations were typically formed from grassroots volunteers who were in touch with the economic needs of poor and underserved communities. Over the past thirty years, government has turned to CDCs as the primary vehicle to rebuild distressed neighborhoods. There are CDCs in nearly every large and medium sized city in the nation as well as in many rural areas.

Characteristically, CDCs have an annual budget of \$200,000 to \$399,000 and a median staff size of six. Sixty percent of CDC's have staffs of ten or fewer members. They work at the grassroots level and undertake multidisciplinary roles. To undertake sophisticated projects, they partner with consultants and other organizations to maximize efficiency and take advantage of competencies that may not be present within their own organizations.

Technical assistance and core operating support allow community development corporations to access training, materials, and other forms of assistance to promote self-sufficiency. Core operating support helps sustain organizations while they develop. To give an example, in my own community of Cleveland, Ohio, a community development corporation might seek training for board members on how to manage equity investments. A church operating a separate non-profit might obtain technical assistance to provide training on fund raising. A community development corporation might hire an accountant and an attorney to utilize a New Markets Tax credit allocation. Most CDCs grow from efforts within communities and are run on a shoestring. If they are effectively run on a shoestring, at what level might they operate with a full set of shoe laces?

My colleague J.C. Watts and I introduced H.R. 3974 to provide community development corporations with technical assistance, core operating support, and guidance on ways to improve their operations. The government distributes \$15 billion for technical assistance, but very little goes to help CDCs operating in low-income communities. Since the 1980's, there have been few dollars to help these organizations. Most community revitalization dollars go towards tax credits utilized by investors, or government entities that support projects. In order to progress to the next level, CDCs need technical assistance funds to build their internal infrastructure and a system of accountability to ensure that organizations are effectively run.

Some argue that existing programs adequately cover the technical assistance needs of CDCs. Existing programs are useful, but more is needed because the scope of current programs is limited. H.R. 3974 would provide technical assistance and core operating support throughout the nation, instead of limiting this assistance to a small range of cities, as do existing programs. Among its other functions, H.R. 3974 would cover emerging to mature organizations, access to financial and construction expertise, mentoring, assistance with leveraging private funds, training and research, equity investments, and CRA credits for financial institutions that work with eligible CDCs. H.R. 3974 has no matching requirement for funds which is truly a mechanism to empower organizations. Last of all, and most important, the legislation would establish an advisory council within HUD to examine the capacity needs of CDCs and provide feedback and measurement of their effectiveness.

This last point is important because with support comes responsibility. When government provides funding for technical assistance and core operating support, CDCs need to meet tough performance tests in return. H.R. 3974 also would provide support to diagnose organizational problems and provide the appropriate technical help to enable groups to fulfill their missions and ensure that the tax dollars of the American people are efficiently and effectively used.

Madame Chair, thank you again for holding this hearing and for your commitment to housing and economic development. I look forward to the testimony of the invited guests this afternoon, as we examine technical assistance and capacity building for community development corporations.